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Update on ways to increase the efficiency and transparency of the budget process

Report by the secretariat

Summary

This document provides updated information on ways to increase the efficiency and transparency of the budget process taking into account comments made by Parties at informal group meetings on budgetary matters at the first part of the forty-eighth session of the Subsidiary Body for Implementation.

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I. Introduction

1. At the first part of its forty-eighth session, the Subsidiary Body for Implementation (SBI) took note of the information contained in document FCCC/SBI/2018/2 on the technical workshop on ways to increase the efficiency and transparency of the budget process. It requested the secretariat to update the document taking into account comments made by Parties at SBI 48.1, for consideration at SBI 49.[1]

2. The workshop covered:

(a) Options for increasing the flexibility of the funds in the Trust Fund for Supplementary Activities;

(b) Approaches to addressing outstanding contributions to the core budget;

(c) The level of the working capital reserve;

(d) The allocation of resources under the Trust Fund for the Core Budget of the UNFCCC and the Trust Fund for Supplementary Activities;

(e) The Trust Fund for Participation in the UNFCCC Process.

3. This document provides updated information on related matters raised by Parties in informal group meetings on budgetary matters at SBI 48.1 and focuses on (1) activities that the secretariat is undertaking to clarify the principles of allocating core and supplementary resources, and (2) the use of payment plans to address the high level of outstanding contributions to the core budget.

II. Review of the allocation of resources

4. In order to improve efficiency and effectiveness, the secretariat is undertaking an internal review of its operations and structure to ensure that it is in a position to fully respond to the needs of Parties in their efforts to operationalize the Paris Agreement in the coming years. The review is taking into consideration the wider United Nations system reform of its management structures and administrative processes to make the secretariat a more nimble, effective, transparent, accountable, efficient and pragmatic organization.

5. The outcome of the review will inform the preparation of the secretariat's programme budget for 2020–2021, which will present information in a manner that clearly and transparently demonstrates how resources will be allocated in order for the secretariat to deliver on its mandates and fulfil its purpose.

6. Continuing the practice established in the development of the programme budget for the current biennium, the secretariat will communicate with Parties in a transparent and inclusive manner on the approaches to preparing the programme budget for 2020–2021 and allocating resources.

III. Possible approaches to addressing the high level of outstanding contributions to the UNFCCC core budget

7. Parties are concerned about how late and long-outstanding indicative contributions to the core budget might affect the secretariat's ability to implement its activities in a timely manner.

8. In reviewing the 2017 financial statements, while noting the efforts of the secretariat to address outstanding contributions thus far, the United Nations Board of Auditors recommended that the UNFCCC consider additional suitable collaborative measures such as payment plans to ensure the timely recovery of outstanding contributions.[2]

[1] FCCC/SBI/2018/9, paragraphs 152 and 155.

[2] See document FCCC/SBI/2018/INF.11.

A. Payment plans at the United Nations Secretariat and other United Nations entities

1. United Nations Secretariat

9. The United Nations Secretariat has considered using multi-year payment plans to address arrears on a number of occasions, particularly through its Committee on Contributions in 2001[3] and 2002.[4]

10. A report of the Secretary-General of the United Nations[5] and the subsequent report of the Committee on Contributions[6] contain useful summaries of the issues considered. Plan duration, the nature and timing of payments, and review procedures and measures to be taken in the event of defaulting on such plans were considered in the reports. These considerations resulted in a resolution[7] endorsing the conclusions of the report of the Committee on Contributions[8] encouraging the use of multi-year payment plans. The Committee concluded that "United Nations Member States should be encouraged to submit multi-year payment plans, which constitute a useful tool for reducing their unpaid assessed contributions and a way for them to demonstrate their commitment to meeting their financial obligations to the United Nations".[9]

11. The Committee recommended that "due consideration be given to the economic position of Member States, as not all of them might be in a position to submit such plans" and that such plans should remain voluntary and not automatically be linked to other measures.

12. The Committee also recommended that such plans be submitted to the Secretary-General for the information of other United Nations Member States, and that Member States be encouraged to consult the United Nations Secretariat for advice in preparing their plans. Where possible, such plans should include payment of the current year's assessments and a portion of the arrears, and should provide for payment of the arrears within a period of six years.

13. In relation to indexation and interest on arrears, the Committee recalled in particular its conclusion that, if the United Nations General Assembly decided to introduce interest charges on arrears, the rate should be fixed at a low level (annual rate not exceeding 1 per cent) and should not be applied retroactively.

14. The Committee further recommended that the Secretary-General be requested to submit an annual report to the General Assembly, through the Committee on Contributions, on the status of Member States' payment plans as at 31 December each year. Such reports have been regularly submitted and the General Assembly has continued, in subsequent resolutions, to reaffirm the use of such plans.

15. Most recently, in the 2017 report of the Secretary-General on multi-year payment plans,[10] Member States with significant arrears in contributions were encouraged to consider submitting a multi-year payment plan.

2. Other United Nations entities

16. The Committee on Contributions, in its 2001 report,[11] noted that multi-year payment plans are also a feature of other organizations in the United Nations system, and in the addendum to that report provided a survey of other United Nations and multilateral organizations with measures in place to address the payment of arrears. The principal measure was the encouragement of members to arrange some form of payment plan as a

[3] See United Nations General Assembly document A/56/11.
[4] See United Nations General Assembly document A/57/11.
[5] United Nations General Assembly document A/57/65.
[6] United Nations General Assembly document A/57/11.
[7] United Nations General Assembly document A/RES/57/4 B.
[8] United Nations General Assembly document A/57/11, paragraphs 17–23.
[9] United Nations General Assembly document A/57/11, paragraph 17.
[10] United Nations General Assembly document A/72/71.
[11] United Nations General Assembly document A/56/11/Add.1.

means of showing commitment to their obligations and in order to forestall or prevent withdrawal of voting rights. Organizations with similar arrangements surveyed at the time were the Food and Agriculture Organization of the United Nations, the International Atomic Energy Agency, the International Civil Aviation Organization, the International Labour Organization, the International Maritime Organization, the International Telecommunication Union, the Organization of American States, the United Nations Educational, Scientific and Cultural Organization, the United Nations Industrial Development Organization, the Universal Postal Union, the World Health Organization (WHO), the World Intellectual Property Organization, the World Meteorological Organization and the World Trade Organization.

17. In 2012 the secretariat of the WHO Framework Convention on Tobacco Control (FCTC) presented a report to its Conference of the Parties[12] on arrears in the payment of assessed contributions, which included a review of relevant practice in the United Nations system and under other international treaties.

18. In relation to various incentive schemes, such as the allocation of budget in relation to a contributor's payment record to support meeting attendance or other activities, it was noted that, while several organizations use such incentives, "the overall arrears position has not improved significantly despite the introduction of an incentive scheme for prompt payment of contributions".[13]

19. It was also noted that a number of organizations and international treaties use penalties, such as withdrawal of voting rights, often in combination with payment schedules that permit voting rights to continue if the party concerned shows the intention to reduce or eliminate its arrears over an agreed period of time.

20. The Conference of the Parties to the Convention on International Trade in Endangered Species of Wild Fauna and Flora is reported as using such measures, urging its parties to enter into a mutually agreed schedule of payments in order to clear their arrears. The Rotterdam and Stockholm Conventions also encourage payment schedules, and other measures to be determined by their Conferences of the Parties may be applied providing the party concerned is not a least developed country or a small island developing State.

21. Conventions applying stricter measures include the Convention on the Conservation of Migratory Species of Wild Animals and the International Whaling Commission, which have the mandate to suspend the voting rights of parties that have not paid their dues and which may apply additional measures, including interest charges. The Convention on Biological Diversity may apply additional measures, including restricting the number of delegates at meetings and limiting their funding for attendance.

22. The Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal withdraws membership from any bureau after two years and voting rights after four years of arrears, except for parties that have agreed to multi-year payment plans or are least developed countries or small island developing States.

23. Most treaty secretariats use measures to facilitate the payment of contributions, including early invoicing, regular reminders and contact with missions. Some provide updates on the status of contributions on their websites.

B. Possible use of payment plans at the secretariat

24. The objective of implementing payment plan procedures at the secretariat would be to encourage Parties to demonstrate their commitment to meeting their financial obligations and to pay their outstanding contributions from prior years in accordance with a specified schedule. This would facilitate regular reporting and help reduce the level of outstanding contributions to the core budget through a mutually approved and agreed process. An increase in the predictability of the receipt of funding would in turn reduce the need to increase the level of the working capital reserve.

[12] See FCTC document FCTC/COP/5/21.

[13] FCTC document FCTC/COP/5/21, paragraph 13.

25. Parties may wish to request the secretariat to establish formal procedures to guide and support the implementation of multi-year payment plans for arrears. Such procedures would need to address several issues, including: whether outstanding contributions should have an effect on voting rights; provisions for establishing payment plans and other options related to the timing of payments of contributions; whether authority should be delegated to the Executive Secretary to agree repayment plans with Parties; and the reporting and monitoring of the implementation of repayment plans.

IV. Conclusions

26. The secretariat will continue to evaluate and pursue various means of increasing the efficiency and transparency of the budget process, culminating in the presentation of its programme budget for 2020–2021 based on the draft illustrative format presented to Parties at the informal group meetings on budgetary matters at SBI 48.1.

27. Should the Conference of the Parties (COP) wish to introduce formal payment plans as a means of encouraging payment of arrears in contributions, the secretariat will take the necessary measures to establish and approve relevant procedures and guidelines.

28. The guidance for consideration and adoption by the COP could include the following provisions:

(a) Annual contributions are due on 1 January of each year. Where a Party has fallen into arrears as defined by the financial procedures, and wishes to demonstrate its commitment to meeting its responsibilities under the Convention, it could be encouraged to agree to a payment plan;

(b) The payment plan referred to in paragraph 28(a) above could include payment of each year's annual contribution in full plus an amount towards the payment of the outstanding contributions to provide for the elimination of outstanding contributions within a set period of time, such as six years;

(c) The Executive Secretary could be provided with the authority to encourage Parties to consider submitting payment plans on a voluntary basis and to negotiate such plans or provide support for their development;

(d) Parties could be encouraged to consult the secretariat for advice in preparing their payment plans;

(e) The Executive Secretary could be requested to provide a report to the COP on all outstanding contributions and related payment plans as at 31 December each year.

29. The SBI and the COP could also consider additional measures linked to payment plans, such as the provision of additional budgetary support for meetings, the reduction of attendance or other measures to be determined that could encourage the timely, full and unconditional payment of assessed contributions.